

Message Text

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FOL TEL SENT ACTION ABU DHABI BONN BRASILIA BRUSSELS CANBERRA
CARACAS COPENHAGEN JAKARTA JIDD AKUWAIT LONDON MADRID MANILA OTTAWA
PARIS ROME SEOUL STOCKHOLM TEHRAN THE HAGUE TOKYO VIENNA EC BRUSSELS
FROM SECSTATE WASHDC DTD 19 JAN 1976 QUOTE

C O N F I D E N T I A L

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TAGS: EFIN, EAID

SUBJECT: IFC REPLENISHMENT MEETING

1. SUMMARY. MAJOR IFC PART I DONORS MET JANUARY 14 IN NEW
YORK TO DISCUSS IFC REPLENISHMENT. IN ADDITION TO U.S.,
MEETING WAS ATTENDED BY REPRESENTATIVES OF CANADA, FRANCE,
FRG, ITALY, JAPAN, NETHERLANDS AND UK. THE UAE SENT AN
OBSERVER TO THE MEETING. THE FOCUS OF THE DISCUSSION WAS
ON A DRAFT REPLENISHMENT RESOLUTION WHICH HAD BEEN PREPARED
BY THE IFC MANAGEMENT AND CIRCULATED TO PARTICIPANTS. THE
MEETING RESULTED IN BROAD CONSENSUS ON MOVING AHEAD TO A
DISCUSSION IN THE BOARD ON THE BASIS OF THE DRAFT RESO-
LUTION. THE FRENCH WERE THE ONLY MEMBERS TO RAISE SERIOUS
SUBSTANTIVE OBJECTIONS. WE EXPECT TO SEND LEGISLATION TO
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CONGRESS IN FEBRUARY ASSUMING THAT LDCS DON'T HAVE SERIOUS

RESERVATIONS. END SUMMARY.

2. ALL PARTICIPANTS IN THE JANUARY 14 MEETING EXPRESSED GENERAL SUPPORT FOR THE CONCEPT OF A REPLENISHMENT OF IFC RESOURCES. THERE WAS GENERAL SUPPORT FOR BOTH THE SIZE OF THE REPLENISHMENT AND INDIVIDUAL SHARES REFLECTED IN THE DRAFT RESOLUTION. THE FRENCH RAISED SERIOUS OBJECTIONS ABOUT BOTH THE TOTAL SIZE AND THE FRENCH SHARE, HOWEVER, AND INDICATED THAT BECAUSE OF THESE OBJECTIONS THEY MIGHT

BE FORCED TO VOTE AGAINST THE DRAFT RESOLUTION AT THE BOARD.

3. THERE WAS GENERAL CONSENSUS ON THE FORMULA FOR THE SUBSCRIPTION CONTRIBUTIONS WORKED OUT BETWEEN THE IFC AND THE US, WHEREBY SUBSCRIPTIONS TO THE INITIAL 40 PERCENT OF A COUNTRY'S TOTAL CONTRIBUTION WOULD BE ON AN UNCONDITIONAL BASIS, WHILE THE SUBSCRIPTION TO THE REMAINING 60 PERCENT COULD BE MADE SUBJECT TO APPROPRIATIONS. SOME COUNTRIES, NOTABLY THE FRG, STRESSED THE VIEW THAT NO COUNTRY SHOULD HAVE TO MAKE A COMMITMENT MORE BINDING THAN ANY OTHER COUNTRY. THE POINT WAS ALSO MADE THAT BECAUSE THE COMMITMENT TO THE FINAL 60 PERCENT WOULD BE QUALIFIED, THERE WAS A RISK THAT DELAYS IN THE APPROPRIATIONS PROCESS COULD SERIOUSLY SLOW DOWN THE REPLENISHMENT PROCESS. IN THIS REGARD, THE OTHER PARTICIPANTS WELCOMED THE U.S. VIEW THAT, IF THE REPLENISHMENT CAN BE AGREED UPON QUICKLY, THE U.S. MIGHT WELL BE IN A POSITION TO HAVE OBTAINED FULL APPROPRIATIONS FOR 70 PERCENT OF ITS CONTRIBUTION BY THE TIME THE RESOLUTION GOES INTO EFFECT.

4. THERE WAS CONSIDERABLE DISCUSSION OF THE TIMING OF THE REPLENISHMENT EXERCISE. THE U.S. STRESSED THE NEED FOR EARLY ACTION IN ORDER TO BE ABLE TO OBTAIN LEGISLATIVE APPROVAL THIS CALENDAR YEAR. THE FRG STRESSED ITS WILLINGNESS TO REACH AGREEMENT QUICKLY ON ALL SUBSTANTIVE ISSUES BUT ARGUED THAT FOR DOMESTIC BUDGETARY REASONS IT WAS EXTREMELY IMPORTANT THAT THE FINAL FORMAL AGREEMENT NOT TAKE PLACE UNTIL THE END OF FEBRUARY. ALL OTHER PARTICIPANTS, EXCEPT THE FRENCH, APPEARED PREPARED TO LIMITED OFFICIAL USE

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MOVE QUICKLY.

5. A MAJOR TECHNICAL OBJECTION RAISED BY THE FRENCH WAS THE DENOMINATION OF THE REPLENISHMENT IN DOLLARS. THEY URGED THAT THE REPLENISHMENT INSTEAD BE DENOMINATED IN SDRS. THERE ENSUED A LENGTHY DISCUSSION ABOUT THE PRACTICAL PROBLEMS INVOLVED AS WELL AS THE APPROPRIATENESS OF CONSIDERING THIS ISSUE SOLELY IN THE CONTEXT OF THE

IFC REPLENISHMENT OR WHETHER IT WAS AN ISSUE WHICH SHOULD BE CONSIDERED IN THE CONTEXT OF THE WORLD BANK GROUP AND, PERHAPS, THE REGIONAL BANKS. THE IFC MANAGEMENT AGREED TO PREPARE A TECHNICAL PAPER ON THE PRACTICAL PROBLEMS INVOLVED.

6. THE JAPANESE PROPOSED THAT THE CAPITALIZATION OF RESERVES (STOCK DIVIDEND) BE ELIMINATED BECAUSE IT CAUSED THEM SERIOUS INTERNAL PROBLEMS; IT WAS A BAD PRECEDENT FOR OTHER INTERNATIONAL INSTITUTIONS AS THE FIRST MEASURE

OF THIS TYPE EVER TAKEN. THE U.S., GERMANY AND CANADA TOOK THE VIEW THAT IT WAS A MATTER OF INDIFFERENCE TO THEM WHAT WAS DONE. FRANCE OBJECTED TO THE ELIMINATION OF THIS PROVISION.

7. DURING THE DISCUSSION A NUMBER OF COUNTRIES MADE A

SPECIFIC CONNECTION BETWEEN THE IFC REPLENISHMENT ON THE ONE HAND AND IDA V AND THE IBRD CAPITAL INCREASE ON THE OTHER HAND. FRANCE EXPRESSED THE CONCERN THAT SOME COUNTRIES ATTEMPT TO USE THEIR SUPPORT FOR THE IFC AS A RATIONALE FOR DIMINISHED SUPPORT FOR IDA AND THE IBRD. THE UK NOTED THAT IDA CLEARLY HAD A HIGHER PRIORITY THAN THE IFC AND STATED THAT, WHILE THE UK WAS PREPARED TO SEE THE IFC RESOLUTION PROCEED, IT WOULD NOT COMMIT ITSELF TO CONTRIBUTING TO THE IFC UNTIL IT KNOWS WHAT OTHER MAJOR DONORS ARE PREPARED TO DO IN BOTH THE IFC AND IN IDA. ITALY STATED THAT IT VIEWED THE IFC AS PART OF A PACKAGE, INCLUDING IDA AND THE IBRD AND THOUGHT THAT ANY BOARD DISCUSSION SHOULD RELATE TO ALL THREE INSTITUTIONS. CANADA AND THE NETHERLANDS, WHILE NOTING THAT THE IFC HAS AN IMPORTANT ROLE TO PLAY, STATED THAT IDA WAS MORE LIMITED OFFICIAL USE

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IMPORTANT. FOR HIS PART, THE U.S. REPRESENTATIVE STATED THAT OUR STRONG SUPPORT OF THE IFC IN NO WAY DIMINISHED OUR COMMITMENT TO CONTINUE SUPPORT FOR IDA AND THE IBRD, AND HE STRESSED THE ADVANTAGE OF GETTING THE IFC REPLENISHMENT THROUGH THE U.S. CONGRESS QUICKLY IN ORDER TO CLEAR THE CALENDAR FOR CONGRESSIONAL CONSIDERATION OF THE IDA AND THE IBRD REPLENISHMENTS.

8. THE MEETING ENDED WITH AGREEMENT THAT THE IFC WOULD QUICKLY CIRCULATE A PAPER SO THAT THERE COULD BE A BOARD DISCUSSION OF THE DRAFT RESOLUTION IN EARLY FEBRUARY. IT WOULD BE LEFT TO THE BOARD TO DECIDE WHETHER TO APPROVE THE RESOLUTION IMMEDIATELY, WHETHER TO AGREE IN SUBSTANCE BUT TO DELAY FORMAL APPROVAL UNTIL A SUBSEQUENT MEETING TO MEET THE GERMAN PROBLEM OR, WHETHER FURTHER SUB-

STANTIVE DISCUSSION AT THE BOARD WOULD BE REQUIRED,
POSSIBLY DELAYING FINAL VOTE ON THE RESOLUTION BY THE
BOARD OF DIRECTORS BEYOND FEBRUARY.

9. COMMENT. THE MEETING WENT SUBSTANTIALLY AS WE HAD
HOPED, ALTHOUGH THERE ARE A NUMBER OF MINOR MATTERS TO BE
TAKEN CARE OF. THE NEXT ISSUE IS THE EXTENT TO WHICH SOME
LDCS, PARTICULARLY THOSE COUNTRIES WHICH HAVE NOT BEEN
CONTACTED BEFORE HAVE SERIOUS RESERVATIONS. (WE DO NOT
EXPECT MAJOR PROBLEMS.) BARRING UNFORESEEN LDC
OBJECTIONS, WE EXPECT TO SUBMIT LEGISLATION TO CONGRESS
IN FEBRUARY. KISSINGER UNQTE SISCO

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